

Friday, September 23, 2016

### FX Themes/Strategy/Trading Ideas

- Despite some attempt at a recovery on the back of re-calibration and position adjustments into end NY, the greenback still ended largely weaker on the day. With investors taking a shine to the Fed's inaction, risk-seeking behavior (liquidity driven more accurately) returned with equities and commodities climbing (CAD and NOK boosted by crude with the latter garnering additional support from a less than dovish Norges Bank). On the risk appetite front, the **FXSI (FX Sentiment Index)** fell significantly within Risk-Neutral territory on Thursday.
- Into the end of the week, we expect the greenback to remain on the defensive with UST yields also softer overnight post-FOMC as investors digested the prospect of a yet gentler medium term trajectory for the Fed into 2017/18.
- With dollar vulnerability re-emerging post-FOMC, our 15 Sep 16 idea to be tactically long **USD-CAD** (spot ref: 1.3202) was closed out on Thursday at 1.3030 for an implied -1.32% loss.

### Asian FX

- In the current environment, expect the regional pairs to be inherently heavy in tandem with the vulnerable greenback with the **ACI (Asian Currency Index) likely to end lower on the week**. On the central banking front, the **BSP** remained static on Thursday while **Bank Indonesia** cut its benchmark 7-day reverse repo by 25bps top 5.00% while leaving the door open to further easing.
- The **SGD NEER** is slightly milder this morning relative to its perceived parity (1.3594) at +0.17% and the basket may continue to be governed by +0.50% (1.3526) and -0.50% (1.3662) into the end of the week. IF USD vulnerability/positive investor sentiment continues to accumulate, the NEER may remain north of its parity. On a technical basis, the 55-day MA (1.3521) also corresponds with the +0.50% threshold and may offer initial support on dips. Topside resistance is expected towards 1.3600.

Corporate FX &  
Structured Products  
Tel: 6349-1888 / 1881  
Fixed Income &  
Structured Products  
Tel: 6349-1810

Investments &  
Structured Product  
Tel: 6349-1886

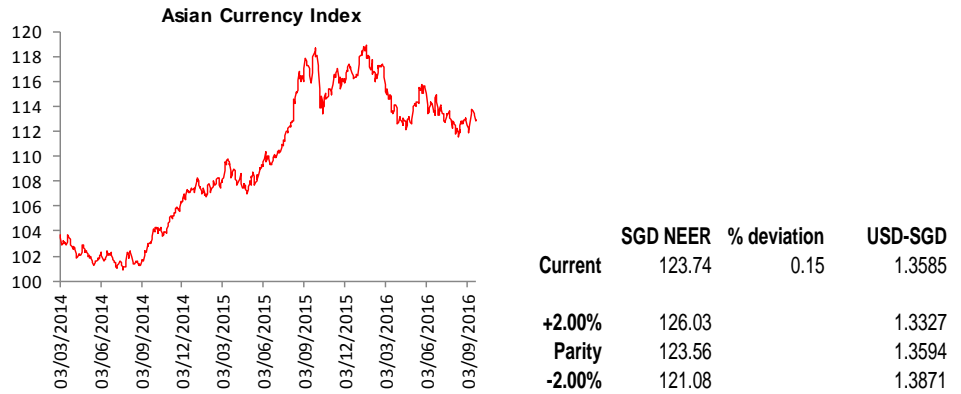
Interest Rate Derivatives  
Tel: 6349-1899

Treasury Research &  
Strategy  
Tel: 6530-4887

**Emmanuel Ng**

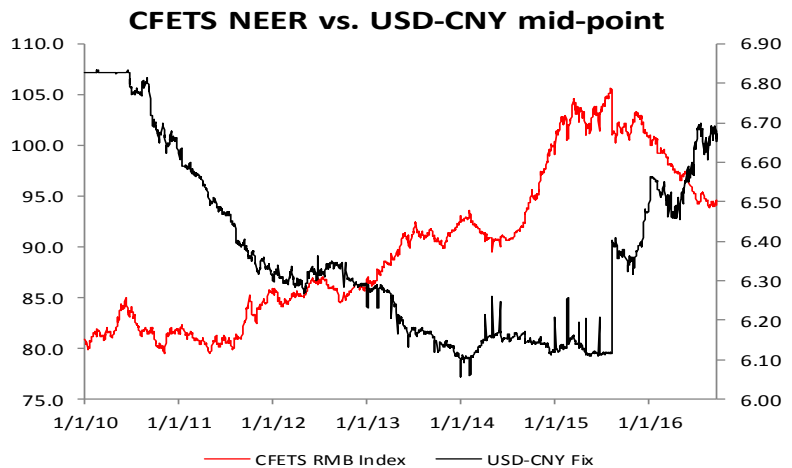
+65 6530 4073

[ngcyemmanuel@ocbc.com](mailto:ngcyemmanuel@ocbc.com)



Source: OCBC Bank

- This morning, the **CFETS RMB Index** dipped once again for the third consecutive session to 94.11 from 94.28 on Thursday. The USD-CNY mid-point meanwhile rose to 6.6670 from 6.6513. Overall, the market’s perception is that 6.7000 remains sacrosanct in the interim, while we note that the possibility of the Index consolidating lower despite latest comments from SFAE stating that there is no basis for long term yuan depreciation.



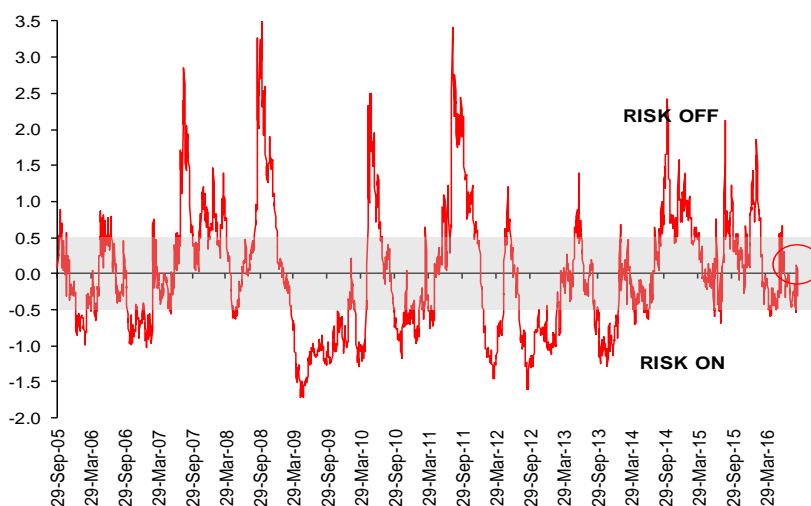
Source: OCBC Bank, Bloomberg

**G7**

- **EUR-USD** Markets may resume data watching with EZ September PMIs on tap today and the pair may remain in familiar territory centered around the 1.1200 handle. Fairly good support is still expected into the 55-day MA (1.1164) and the 200-day MA (1.1153) while 1.1250 I still seen capping for now. Meanwhile, our short-term model for the EUR-USD sees the pair pretty much near its near term fair value but continues to paint a somewhat supported profile on a multi-session horizon.
- **USD-JPY** TKY returns from a mid-week break today and the USD-JPY may continue to smart from the twin (aligned) effects of the FOMC/BOJ MPC and the pair may remain potentially tilted lower within 98.00-102.00 in the coming sessions. Our short-term model however presents a caveat, with the USD-JPY perceived to be slightly stretched on the downside at this juncture.

- AUD-USD** With the AUD-USD likely to continue to be fed positive risk sentiment in the near term, the pair may attempt to veer higher from a 0.7600 base with the 55-day MA (0.7584) also providing support. Our short-term model meanwhile for the AUD-USD meanwhile continues to display little significant tracking error and remains oriented upwards. On other fronts, after the RBNZ meeting, the NZD was in the doghouse on Thursday with the kiwi underperforming across the board on Thursday.
- GBP-USD** Hawkish comments from the BOE's Forbes on Thursday (and Saunders on Wednesday) afforded the GBP-USD further lift although we expect some resistance to kick in towards the 55-day MA (1.3155). The short-term model meanwhile indicates some scope for further upside in cable 9technically, within 1.2900-1.3400), especially if the USD .continues to fade and/or UK data points stabilize in the coming weeks.

### FX Sentiment Index



Source: OCBC Bank

### 1M Correlation Matrix

	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRXX	CNH	EUR
DXY	1.000	-0.374	-0.289	0.409	0.517	0.240	0.537	0.313	-0.458	-0.462	-0.279	-0.949
CHF	0.879	-0.330	-0.568	0.604	0.623	0.584	0.636	0.643	-0.522	-0.658	-0.565	-0.968
JPY	0.537	-0.135	-0.823	0.460	0.272	0.541	1.000	0.483	-0.279	-0.681	-0.802	-0.638
SGD	0.339	-0.346	0.480	-0.307	-0.237	-0.558	-0.195	-0.568	0.344	0.269	0.607	-0.190
AUD	0.054	0.298	-0.478	0.694	0.621	0.833	0.153	0.804	-0.582	-0.630	-0.532	-0.245
PHP	-0.042	-0.266	0.129	-0.635	-0.650	-0.587	0.083	-0.442	0.646	0.593	0.135	0.090
IDR	-0.155	-0.110	-0.188	-0.370	-0.710	-0.208	0.342	-0.313	0.724	0.199	-0.061	0.100
TWD	-0.263	0.063	0.703	-0.490	-0.106	-0.626	-0.676	-0.656	0.228	0.407	0.659	0.375
GBP	-0.264	-0.275	-0.684	-0.049	-0.334	0.450	0.454	0.293	0.435	-0.238	-0.598	0.067
CAD	-0.270	0.095	0.972	-0.574	-0.382	-0.910	-0.763	-0.837	0.290	0.813	0.936	0.490
CNH	-0.279	0.107	0.957	-0.496	-0.450	-0.842	-0.802	-0.763	0.345	0.808	1.000	0.478
CNY	-0.289	0.208	1.000	-0.467	-0.338	-0.857	-0.823	-0.745	0.233	0.806	0.957	0.483
CCN12M	-0.319	0.066	0.784	-0.395	-0.273	-0.582	-0.801	-0.567	0.258	0.566	0.858	0.488
INR	-0.319	-0.111	-0.460	-0.126	-0.558	0.185	0.330	0.083	0.547	0.004	-0.302	0.182
THB	-0.330	-0.068	0.850	-0.728	-0.499	-0.854	-0.727	-0.849	0.520	0.788	0.879	0.529
KRW	-0.339	-0.098	0.462	-0.761	-0.846	-0.736	-0.319	-0.786	0.792	0.679	0.565	0.460
USGG10	-0.374	1.000	0.208	0.249	0.076	-0.022	-0.135	0.072	-0.285	0.057	0.107	0.366
MYR	-0.377	0.101	0.882	-0.527	-0.571	-0.854	-0.725	-0.734	0.442	0.892	0.875	0.527
NZD	-0.465	0.486	0.793	-0.068	-0.118	-0.434	-0.851	-0.328	-0.069	0.573	0.711	0.544
EUR	-0.949	0.366	0.483	-0.523	-0.574	-0.446	-0.638	-0.498	0.466	0.606	0.478	1.000

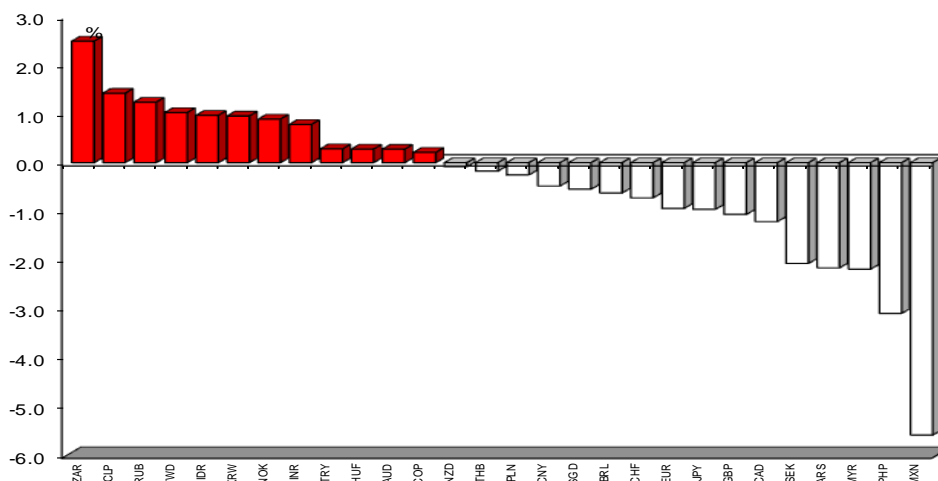
Source: Bloomberg

**Immediate technical support and resistance levels**

	S2	S1	Current	R1	R2
EUR-USD	1.1153	1.1172	1.1199	1.1200	1.1278
GBP-USD	1.2926	1.3000	1.3059	1.3100	1.3151
AUD-USD	0.7581	0.7600	0.7635	0.7694	0.7700
NZD-USD	0.7200	0.7220	0.7280	0.7300	0.7423
USD-CAD	1.3000	1.3042	1.3071	1.3100	1.3245
USD-JPY	100.48	101.00	101.21	102.00	102.41
USD-SGD	1.3500	1.3517	1.3585	1.3600	1.3693
EUR-SGD	1.5098	1.5200	1.5214	1.5293	1.5300
JPY-SGD	1.3205	1.3400	1.3422	1.3500	1.3509
GBP-SGD	1.7607	1.7700	1.7740	1.7777	1.7800
AUD-SGD	1.0245	1.0300	1.0372	1.0374	1.0400
Gold	1302.10	1332.55	1335.30	1348.38	1355.80
Silver	19.56	19.90	19.91	20.00	20.14
Crude	45.50	45.80	45.80	48.46	49.72

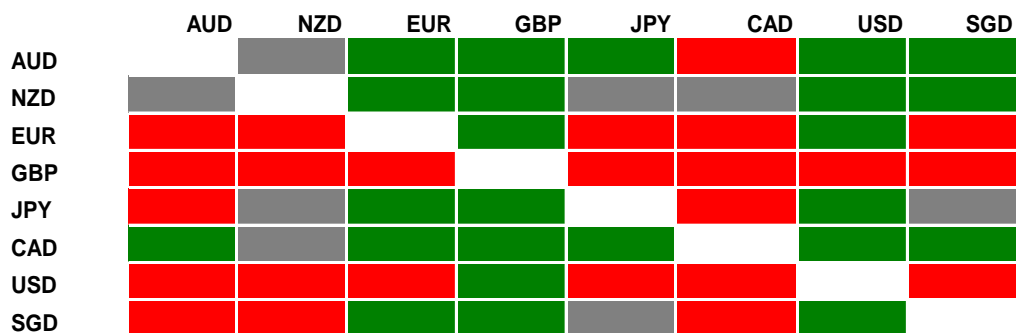
Source: OCBC Bank

**FX performance: 1-month change agst USD**



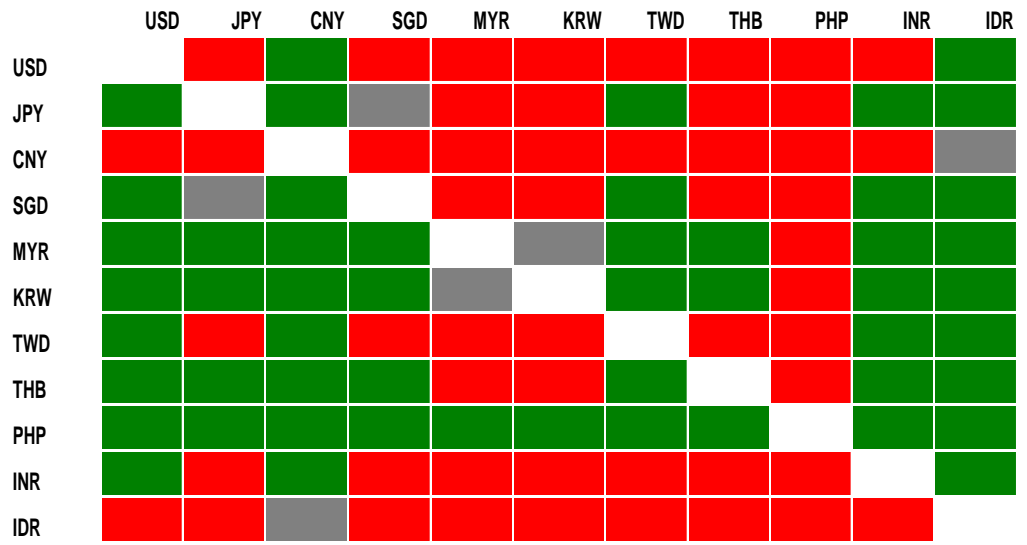
Source: Bloomberg

**G10 FX Heat Map**



Source: OCBC Bank

**Asia FX Heat Map**



Source: OCBC Bank

### FX Trade Ideas

	Inception	B/S	Currency	Spot	Target	Stop/Trailing stop	Rationale	
<b>TACTICAL</b>								
1	25-Aug-16	B	GBP-USD	1.3210	1.4055	1.2785	Moderating short term pessimism	
2	25-Aug-16	B	USD-SGD	1.3527	1.3780	1.3395	Moderating net inflows in Asia, potential for broad USD uptick	
<b>STRUCTURAL</b>								
3	18-Feb-16	B	EUR-USD	1.1137	1.1825	1.0790	Growing suspicion that the Fed will hesitate	
4	07-Mar-16	B	AUD-USD	0.7412	0.7955	0.7135	Potential risk appetite, abating global growth concerns, static Fed expectations	
5	14-Jun-16	S	USD-SGD	1.3542	1.2815	1.3910	USD expected to disappoint on the back of the summer FOMCs	
6	04-Jul-16	S	USD-JPY	102.58	91.85	107.95	Yield differentials to weigh on the pair, esp if Fed hesitates	
7	26-Jul-16	S	GBP-USD	1.3120	1.1555	1.3905	Macro pain of a potential Brexit	
8	25-Aug-16	S	USD-CAD	1.2918	1.1960	1.3400	Stabilizing global macro, potential traction for oil	
<b>RECENTLY CLOSED</b>								
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	08-Aug-16	25-Aug-16	B	AUD-USD	0.7611	0.7610	Opportunity for a tactical long on assumption of transient USD	0.01
2	18-Aug-16	26-Aug-16	S	USD-CAD	1.2813	1.2985	Recovering oil vs fading FOMC prospects	-1.33
3	11-Aug-16	30-Aug-16	S	USD-JPY	101.22	101.96	Fading dollar coupled with potential risk aversion	-0.80
4	12-Apr-16	07-Sep-16	B	NZD-USD	0.6885	0.7450	Recovery in cyclicals, search for yield	8.37
5	04-Aug-16	19-Sep-16	B	EUR-USD	1.1149	1.1157	Static Fed vs. ECB	-0.80
6	01-Sep-16	21-Sep-16	B	USD-JPY	103.33	100.90	Ahead of NFP numbers and BOJ MPC	-2.33
7	15-Sep-16	22-Sep-16	B	USD-CAD	1.3202	1.3030	Fading crude, soft macro outlook, ahead of FOMC	-1.32
<b>Jan-Aug 2016 Return</b>								<b>+7.80</b>

Source: OCBC Bank

---

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

---